

Information Technology Services Division

FullCost Analysis & Planning Effort

FullCost Maturity Model (FMM)

*“from cost transparency to fully burdened rates, a
standard metric of an organization’s capability to
plan the full costs of its products and services”*

-NDMA

Doug Volesky, Financial Services

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Services & Cost Recovery

The Issues:

- ❖ Documentation and justification for Legislature
- ❖ Documentation and justification for Agencies
- ❖ Solid definition of services provided

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Who is NDMA?

- ❖ NDMA is a research, publishing and consulting firm focused exclusively on organizational design.
- ❖ NDMA helps leaders “re-program the culture, structure, work flows, and resource-governance processes including FullCost Modeling within organizations that guide people’s decisions and actions
- ❖ Located in Ridgefield, Connecticut

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What is FMM?

The Full-cost Maturity Model is a standard metric of an organization’s capability to **plan** the full costs of its products and services.

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What is FMM?

- ❖ It is not “Traditional” Budgeting

Expense Codes

<i>Deliverables</i>		<i>P/S</i>	<i>Travel</i>	<i>Rent</i>	<i>SW</i>	
	<i>Rate 1</i>	\$	\$	\$	\$	
	<i>Project 1</i>	\$	\$	\$	\$	
	<i>Service 1</i>	\$	\$	\$	\$	
		\$	\$	\$	\$	

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What is FMM?

Problems Generated by Traditional Budgeting

- ❖ *Mistrust*
- ❖ *Poor quality*
- ❖ *Strained relationships*
- ❖ *Unrealistic expectations*
- ❖ *Insufficient investment in infrastructure*
- ❖ *Making customers' decisions*
- ❖ *Poor decisions*
- ❖ *Lost opportunities*
- ❖ *Micro-management*
- ❖ *Lack of teamwork*
- ❖ *Bureaucracy*
- ❖ *Ineffective governance*

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What is FMM?

The solution is straightforward in concept:

It begins with a business plan that forecasts what products and services ITSD will “sell” in the coming year.

Based on the business plan, an effective budget then forecasts the full costs of those products and services.

“Full cost” means not only direct costs, but a fair share of all **indirect costs**.

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What is FMM?

By knowing the full cost of its products and services, a department can submit a budget that describes the cost of **deliverables** (as well as the traditional expense codes by manager).

- ❖ Client (Agency)
- ❖ Subsidy
- ❖ Venture
- ❖ Internal
- ❖ Overhead

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What is FMM?

Rates

Using the same data – the cost of its products and services – we can also calculate rates.

Rates must represent the full cost of the deliverable.

By using the full cost data, a department can be confident that its rates are fair, defensible, and directly comparable to benchmarks like outsourcing.

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Why Should ITSD do FMM?

- ❖ Difficulty meeting customers needs with current resources
- ❖ Demand is to do more with less
- ❖ Our rates are frozen while our costs and service demands increase
- ❖ Better alignment of rates with true costs
- ❖ Avoid internal subsidization
- ❖ Able to explain in detail ITSD's rates and what is all included
- ❖ Better able to define our services

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Issues with process

- ❖ Resources (Time)
- ❖ Over Engineering the process
- ❖ Lack of utilization info.
- ❖ Agencies budgets

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Benefits of FMM?

- ❖ Financial Benefits
- ❖ Transformational Benefits

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What Are Our Outcomes?

- ❖ No reduction in services
- ❖ Fully defined services and a services catalog
- ❖ Documented and understandable budget
- ❖ Credible and defensible rates
- ❖ Improved customer satisfaction

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Timelines and Commitment?

- ❖ Pricing Analysis completed by end of March 2008.
- ❖ “Next steps” and Finalize Budget May 2008.
- ❖ On-going Process

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Questions or Comments?

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